



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of Application of
CALIFORNIA-AMERICAN WATER
COMPANY (U 210 W) for an order authorizing
it to increase its rates for water service in its Los
Angeles District to increase revenues by
\$2,020,466 or 10.88% in the year 2007; \$634,659
or 3.08% in the year 2008; and \$666,422 or
3.14% in the year 2009.

A.06-01-005
(Filed January 9, 2006)

**PREHEARING CONFERENCE STATEMENT
OF THE DIVISION OF RATEPAYER ADVOCATES
REGARDING PHASE TWO PROCESSES**

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October 11, 2007

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Pursuant to the Administrative Law Judge's Ruling Setting a Prehearing Conference on October 17, 2007 (10/4/07 Ruling),¹ the Division of Ratepayer Advocates (DRA) submits this Prehearing Statement Regarding Phase Two Processes. DRA is eager to have an effective conservation rate design implemented in California-American Water Company's (Cal-Am's) Los Angeles District as soon as possible, and no later than the summer of 2008. DRA is generally flexible, however, with regard to the processes undertaken to accomplish this goal.

The specific conservation rates proposed by Cal-Am and DRA in the earlier part of Phase 2 in this proceeding (Phase 2 Settlement) have not been disputed to DRA's knowledge. D.07-08-030, however, rejected other elements of the Phase 2 Settlement – specifically the Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA) – as being “premature” for Commission consideration in the

¹ Administrative Law Judge's Ruling Setting a Prehearing Conference on October 17, 2007 (October 4, 2007).

context of one company's general rate case.² D.07-08-030 also discussed the parties' positions on the extent to which Cal-Am return on equity (ROE) should be adjusted if the Commission adopts the Phase 2 Settlement, but did not need to decide the issue due to the rejection of the Phase 2 Settlement.³

DRA recommends that, regardless of the conservation rates and methods to reduce financial risk that are considered for Cal-Am's LA District, the Commission should transfer the issue of ROE to the Conservation OII (I.07-01-022), in which the same issue is being considered in a Phase 1B.⁴ It is DRA's understanding that Cal-Am does not oppose this recommendation.

Setting aside the ROE issue, DRA anticipates that the parties will be able to submit a joint proposal on conservation rates and a WRAM/MCBA that is somewhat different from the earlier submitted Phase 2 Settlement. The Commission's consideration of such a revised settlement could be conducted in this proceeding, or could be transferred to the Conservation OII along with the ROE issue. Because all of the parties in this case are already familiar with the Phase 2 Settlement, and a record on the main elements of the settlement has already been developed in this proceeding, it seems likely that the most efficient and timely approach for adopting conservation rates in Los Angeles is to consider the parties' revised settlement in this proceeding. Nevertheless, as stated earlier, DRA is open to using the most expedient process that will result in reasonable conservation rates for Los Angeles before next summer.

DRA notes that D.07-08-030 may need to be modified to allow the Commission to consider a settlement that may be similar to the Phase 2 Settlement. If that is the case, DRA will work to submit a petition to modify D.07-08-030 in a timely manner, and encourages the Commission and all of the parties to support rapid resolution of the

² D.07-08-030, *mimeo*, at 34-36; Finding of Fact 17; Ordering Paragraph 6.

³ *Id.* at 31-33.

⁴ Administrative Law Judge's Ruling Consolidating Application of San Jose Water Company, Modifying Schedule and Addressing Phase I Hearings, in I.07-01-022 (May 29, 2007).

petition and any other barriers to implementing conservation rates in Los Angeles as early as possible next year.

Finally, while DRA does not recommend a specific schedule for Phase 2 at this time because so many key issues are unresolved, DRA hopes to be able to address the procedural schedule more concretely at the Prehearing Conference.

Respectfully submitted,

/s/ Natalie D. Wales

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**PREHEARING
CONFERENCE STATEMENT OF THE DIVISION OF RATEPAYER
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Executed on **October 11, 2007** at San Francisco, California.

/s/ Imelda C. Eusebio

Imelda C. Eusebio

N O T I C E

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